The business magazine of the farm & industrial equipment industry

April 7, 1982
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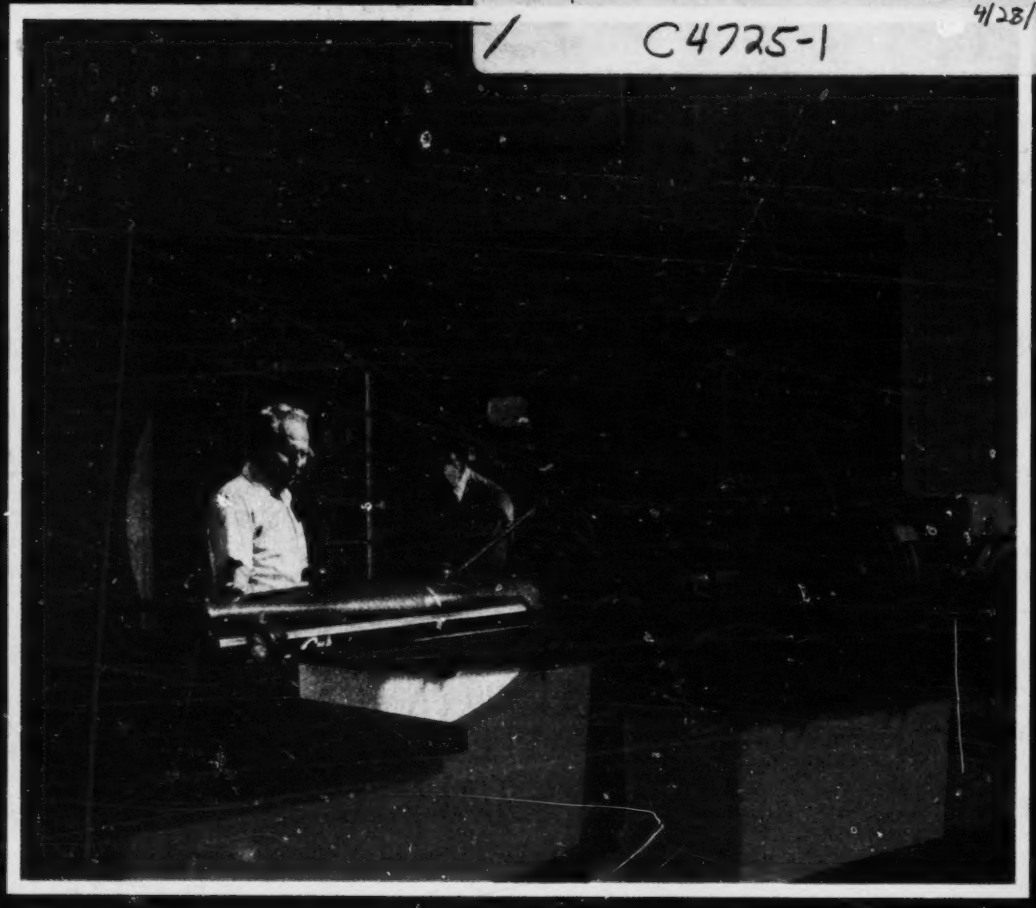

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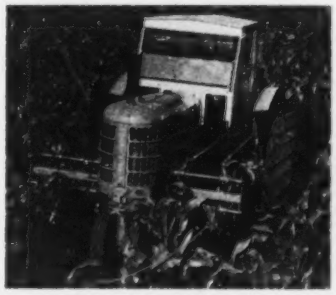

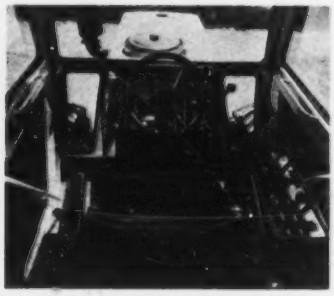

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16 **A Sales Prospect or Not? How Do You Really Know?** Walt Buescher considers the human tendency to accept passively the assertion that "farmers aren't buying anything right now." An insistent salesman can make things happen.

24 **How Well Do Today's Tractor Cabs Handle Heat and Dust?** A review of a pair of ASAE reports by research engineers from Sweden and Canada shows that, far as we've come, more progress can be made.

On the cover: Salesman (left) and customer at Glade & Grove Supply, Princeton, Fla. Perhaps the most familiar scene of this business, it's also the most critical.

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what's ahead...

I&T SINCE 1886

April 7, 1982

RETAIL FARM EQUIPMENT SALES IN THE U.S. THROUGH FEBRUARY, according to the Farm & Industrial Equipment Institute flash report, were down severely from the same period of 1981. However, midwinter sales reports are not generally considered a strong barometer of later sales results. The numbers:

	Unit Retail Sales					
	February			January-February		
	1982	1981	Pct. Change	1982	1981	Pct. Change
Farm Wheel Tractors:						
2-wheel drive						
40-100 hp	2,658	2,981	-10.8	6,084	6,847	-11.1
Over 100 hp	2,241	2,454	- 8.7	5,999	5,636	+ 6.4
Total 2-wheel drive	4,899	5,435	- 9.9	12,083	12,483	- 3.2
4-wheel drive	568	613	- 7.3	1,230	1,438	-14.5
Total Tractors	5,467	6,048	- 9.6	13,313	13,921	- 4.4
Combines (S-P)	509	1,015	-49.9	1,883	2,691	-30.0
Balers*	199	416	-52.2	595	858	-30.7
Forage Harvesters**	124	173	-28.3	444	444	0.0
Mower-Conditioners	366	530	-30.9	1,006	1,164	-13.6

*Bales under 200 lbs. **Shear-bar type.

CANADIAN RETAIL SALES in the first two months presented even heavier declines. However, the first two months of 1981 were stronger months there than in the U.S., so the current weak sales picture was in stronger contrast. (Source: Canadian Farm & Industrial Equipment Institute)

	February			January-February		
	1982	1981	Pct. Change	1982	1981	Pct. Change
Farm Wheel Tractors:						
2-wheel drive						
40-100 hp	502	545	- 7.9	1,026	1,278	-19.7
Over 100 hp	281	460	-38.9	859	939	- 8.5
4-wheel drive						
Under 200 hp	63	137	-54.0	202	278	-27.3
Over 200 hp	63	126	-50.0	199	197	+ 1.0
Total Tractors	909	1,268	-28.3	2,286	2,692	-15.0
Combines (S-P)	57	137	-58.4	232	362	-35.9
Combines (pull)	28	97	-71.1	56	317	-82.3
Balers, Square	50	85	-41.2	125	177	-29.4
Balers, Round	53	88	-39.8	122	205	-40.5
Forage Harvesters*	16	33	-51.5	49	83	-41.0
Mower-Conditioners	51	78	-34.6	119	189	-37.0
Swathers (pull)	29	27	+ 7.4	127	141	- 9.9
Swathers (S-P)	35	66	-47.0	153	180	-15.0

*Shear-bar type.

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EDITOR'S NOTEBOOK

Replacing the Dropped-Out Dealers: How?

The Farm Equipment Manufacturers Assn. recently completed its second round of surveys concerning dealerships going out of business. FEMA's respondents consisted of managers of 26 of the 32 state, provincial and regional independent associations in North America.

The first survey was taken six months earlier. Here's what the two studies turned up:

Number of Dealerships Out of Business, 1981

Dealer's Major Line	1st Six Months	2nd Six Months	Total
A-C	22	19	41
Case	17½	10	27½
Deere	14½	13	27½
Deutz	5	1	6
Ford	37	22	59
IHC	46	59	105
Kubota	1	2	3
M-F	23	39	62
White	13	17	30
Short-lines	10	19	29
Not identified	20	16	36
Total	209	217	426

How do you react to these numbers? My first reaction is that there were fewer fold-ups in the second half of the year than many of us had expected. The worry was that as more notes came due on dealer inventory, more dealers would have to hang it up. However, the second-half going-out rate ran about the same as the first.

Apparently, efforts by manufacturers to clean out their own inventories, which were increasingly intense in the second half of the year, generated some cash flow for dealers that probably made the difference in many cases. Similarly, extensions were granted to dealers when due dates approached on many machines. Apparently, expensive interest charges were not as troublesome as the potential loss of some dealerships.

Of course, the big question remains: Who picks up the slack? Where will the capital and the talent come from that will fill the 426 market areas represented.

Presumably, some of these slots have already been filled—either by new ownership, a company store or some combination of manufacturer and dealer capital—and some have been deemed so marginal as not to warrant replacement.

However, major manufacturers' field representatives are looking at the difficult task of replacing many of those dealerships. The alternative is to surrender a large part of the market shares that were produced through them.

And for each major company blockman who's scuffling to interest some new capital and talent in the retail farm equipment business, how many shortline representatives are out there trying to find new homes for the product?

How are they going to do it?

Experienced dealers I've talked to lately have told me that while there are many farmers today with financial problems severe enough to scratch them off prospect lists temporarily, there are others who are in pretty good shape. Essentially, they managed to avoid getting into the debt crunch; for them, farm prices are bad but can be weathered.

Thus, these dealers tell me, those farmers are tending to sit tight. Their money is in CDs and other high-yield investments. It takes some powerful motivating to get them to shift their capital from such safe nests into more productive farm machinery. *But some of that motivating is getting done.*

I mention this because I wonder if there aren't some dealers in the same situation. It's true that many dealers are doing everything they can just to keep their heads above water. But aren't there others who managed to get their facilities expanded and paid for in time to avoid the high-interest crunch? Aren't there some who learned the trick of sustaining strong earnings in parts and service operations during tough times and are still making money?

I'm sure there are some. Maybe they could be motivated to go to the bank and use some of that money to expand their trade territories or even take over a defunct dealership location. But that, too, would take some powerful motivating in today's climate.

One wonders, then, what major, intermediate and small manufacturers are doing to help their territory people motivate dealers to involve themselves more deeply in a troubled industry. The companies have been conducting intense campaigns to move inventories and get out from under those burdensome bank charges. But what are they doing to persuade prospective new dealers or already existing dealers that their capital has a future in this business?

What's Most Important for Economic Recovery?
(Rankings by 176 executives of FIEI member companies)

Action Indicated	Per Cent of Respondents						
	No. 1	No. 2	No. 3	No. 4	No. 5	No. 6	No. 7
Reduce interest rates	46.2	24.3	12.4	5.4	4.5	3.5	3.6
More spending cuts	24.3	29.0	18.4	10.1	9.1	3.5	1.2
Balanced budget	14.2	10.6	5.3	19.0	11.4	17.4	25.9
Loosening money supply	5.3	14.8	12.4	11.3	12.5	15.1	17.6
More business investment	4.7	8.3	24.3	24.4	17.0	10.5	17.6
Preserving personal tax cuts	3.5	8.3	14.8	15.5	23.9	22.1	17.6
Reducing federal budget	1.8	4.7	12.4	14.3	21.6	27.9	16.5

Taking the word to Congress

Manufacturer, as FIEI spokesman, and two dealers illustrate the current plight of agribusiness before Congressional committees.

■"FRANKLY speaking, Mr. Chairman, the nation's farmers and ranchers are in dire economic straits and we believe it's time for the farmer's friends to stand up and be counted."

Speaking was a farm equipment manufacturer, Robert P. White, chief executive officer of Van Dale, Inc., Long Lake, Minn. He was one of several industry people taking their case as agricultural suppliers to the U.S. Congress as it was conducting hearings in February and March. White testified before the Senate Committee on the Budget. He continued:

"Though we try hard to deny it, the most significant economic thrust to our nation's success is still the relative prosperity of our farms and ranches. When the nation's largest industry cannot pay its bills from current cash flow, and has not been able to do so for two years, the entire economy goes into convulsions just as we are experiencing today. Our total economy will not begin a long-term recovery until agriculture begins to enjoy again a modicum of prosperity."

Emphasized White: "Agricultural prosperity will not occur until the prices farmers receive for their products are free from (1) national policies designed to use agricultural overproduction as a means of fighting inflation (done at farmers' expense); (2) policies which commandeer farmers' resources as tools for foreign policy (also at farmers' expense); (3) inflation rates that drive up the inputs they must purchase; and (4) interest rates that are so high as to create a severe short-term financial emergency and threaten the long-term economic viability of our nation's most important resource."

White, appearing on behalf of the Farm & Industrial Equipment Institute, noted that prices farmers have had to pay for their production inputs have increased sharply in relation to income. "Prices of inputs," he explained, *"had built-in inflation escalators* and the prices farmers received did not! And who benefitted? In the short term, everyone who consumed food, except the farmer and those who supply inputs to him.

"In the long-term, however, no one, because such economic inequity to as large a segment of our economy as agriculture brings undesirable results to the *total* economy and ultimately creates much higher-priced food, and perhaps, limited future food supplies."

As FIEI spokesman, White recommended the following six actions be taken:

1. The farming community needs an immediate infusion of low-cost loans.

2. Some controls on 1982 and 1983 production of non-regulated commodities.

3. Demand an immediate removal by Japan of tariffs and any other restrictions that inflate the cost of U.S. foodstuffs or commodities to Japanese consumers.

4. Sell whatever volume of commodities, etc., to the USSR and other Eastern Bloc countries for which they are willing to pay cash on delivery.

5. Use grain embargoes or commodity-related sanctions only as the *last resort*...and be sure even then that farmers do not carry the full economic brunt of that effort.

6. Implement government policies that reduce inflation, lower interest rates and move to reduce the size of

(More...)

Testifying *(continued)*

the Federal government.

FIEI members surveyed concerning the economy

White told the budget committee what had been produced by a telephone survey of 176 industry executives, as conducted by the FIEI.

When asked about the foreseeable economic future:

- 26 per cent believe we have reached the low point and improvement is now on the horizon;
- 55 per cent believe we are in for a slightly worsening economic situation;
- 16 per cent think we are in for a significantly worsening economic situation.

Asked to pick which they thought to be America's most severe economic problem:

- 48 per cent said high interest rates;
- 33 per cent indicated the Federal budget deficit;
- 19 per cent identified inflation.

What action would best enhance economic recovery?

- 46 per cent said, "Reduce interest rates."
- 24 per cent said, "Make more spending cuts."
- 14 per cent said, "Balance the budget."

Asked if they agreed with Federal Reserve Chairman Volker that a restrictive monetary policy enforced by the Federal Reserve is the best way to fight inflation, and that lowering the budget deficit is the best way to bring down high interest rates, 71 per cent agreed, 29 per cent disagreed.

Should Congress go along with the President's economic recovery program as presented in his 1983 budget?

- 60 per cent said yes;
- 40 per cent said no.

Some of those who disagreed indicated that they agreed in concept but could not go along with the high deficit.

Another question: What is the absolute maximum 1983 budget deficit that is acceptable? The answers ranged from "balanced budget" to $150 billion or more. Here's how they broke down:

Fifty billion—22 per cent; balanced—19 per cent; 18 per cent—$80 billion; 13 per cent—$70 billion; 10 per cent—$35 billion; 8 per cent—$100 billion; 5 per cent—$125 billion; 4 per cent—$90 billion; and under 1 per cent each for $150 billion and "long-term balanced budget."

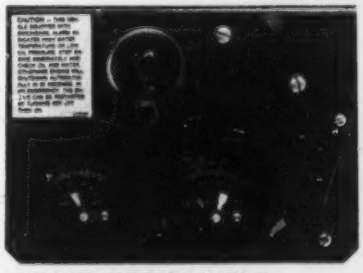
Finally, 44 per cent of the respondents felt that the U.S. should continue on the President's current economic recovery program. Another 31 per cent said we should make moderate policy changes and try for a more gradual adjustment to reducing the budget deficit's size. Only 2 per cent called for drastic change in economic policy and accept higher inflation. And 23 per cent said we should cut projected spending, especially defense, rescinding all or part of the tax cuts to reduce the deficit.

Dealers from Arkansas, Mississippi Discuss FHA

Two dealers from the Mid-South region appeared before House of Representatives agriculture subcommittees looking into current credit conditions in U.S. agriculture. They

(Continued on page 29)

ENGINE PROTECTION STARTS WITH DEPENDABLE murphy



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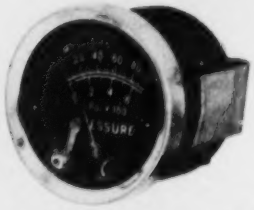

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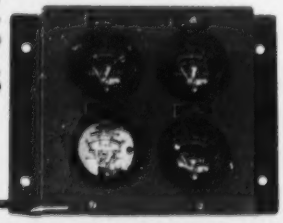

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Testifying

(Continued from page 10)

were Albert T. Watson, general manager, Delta Implement Co., Leland, Miss., and Blue Riggan, president of Corning Implement Co., Corning, Ark. Here's part of what they had to say:

Riggan: "My farmer customers are experiencing the same problems most other businesses are facing today—high interest rates, higher and higher production costs, low commodity prices....The quick cure to these problems would be higher prices for the crops they have to sell. We all know this cannot be done in a short period of time; the realistic answer is to gamble a little more and try to hang on, hoping for better times ahead.

"As a dealer, we have always tried to work with farmers to help them in times of tight money by deferring payment of repair parts, and extending machinery payments from December until crops are sold or crop loans are received. As of Feb. 8, accounts receivable were $294,410 and past due machinery payments would run into several million dollars.

No FHA loans

"Most of the people who owe these bills are financed by Farmers Home Administration. Each year the crop is in and counted by no later than Dec. 1. The winter months then give the farmer time to make arrangements for next year—buying seed, chemicals, fertilizer, fuel, repairs and equipment to produce his crop. As of Feb. 10, farmers financing with FHA in Clay County, Ark., hadn't received one cent to pay bills for last year or buy supplies for next year. Some farmers don't know if they will farm at all until June....I am sure this process could be speeded up by some closer management.

"In Corning, the farmers have three crop loan sources: the local bank, the PCA or the FHA. Our local FHA office finance crop loans for 206 farmers under present guidelines. By Oct. 1, 1982, they will drop 147 of these farmers. The other two sources won't be able to absorb more than 20-25 per cent of these farmers; the other 110 will be out of business.

"I don't feel a one-year moratorium on closing out farmers is the answer. Not all people can manage a business, and some farmers could find alternate sources. I suggest moving 25 per cent to alternate financing; 12-15 per cent would probably be out of business, but this would be a buildup of approximately four years that FHA has not had any closeouts. The other 50-60 per cent I hope will be carried by FHA until they can begin to show a profit."

Dealers jeopardized

Watson: "We as farm equipment dealers have been put in jeopardy by FHA policies. I'll give you some ex-

(More...)

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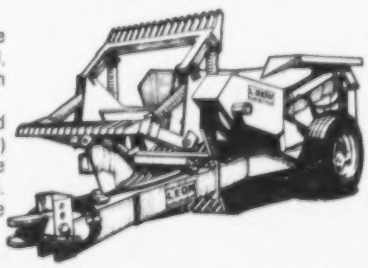

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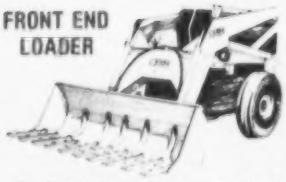

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Testifying

(continued)

amples:

"1. At present, we have $3.77 million in past due notes secured by farm equipment, owed to us by farmers who are furnished by FHA. An undetermined amount of this will be repossessed dependent on whether the farmer is able to negotiate a crop furnish loan for 1982. And 105 farmers furnished by FHA owe us $205,233 for repair parts and service work, which we are unable to collect until each farmer is able to make his arrangement with FHA.

"2. In addition to this indebtedness, we have already repossessed $415,114 worth of farm machinery since the 1981 harvest from farmers furnished by FHA.

"3. When a farmer is making arrangements for his 1982 crop loan, FHA policy appears to be to refuse to pay anything on his outstanding farm equipment indebtedness or his repair accounts....

"4. At present, 57 per cent of our repair accounts are more than 30 days past due. Our standard is not to exceed 25 per cent in past due accounts. These past due accounts put a tremendous strain on our capital, as we must pay cash for our parts purchases. The majority of these past due repair accounts are farmers who are furnished by FHA. There appears to be inadequate money set up in the FHA furnish loans to allow the farmers to make necessary repairs. As a result, we end up carrying accounts past due or we must refuse to sell repair parts on credit....

"We are in a very critical time in our farm related industry. Survival in 1982 will depend in large measure on quick, direct assistance to these farmers, with clear guidelines to local FHA supervisors." □

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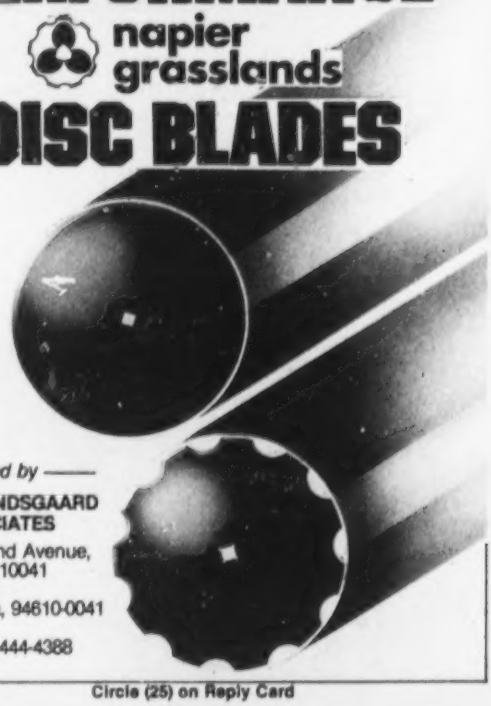

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